

Glossary of Terms

which the vast majority of Settlement System

The system through which the vast majority of payment items in Canada are settled.

(ACSS)Cheque Image

A digital representation of a cheque (front and back).

Clearing

The process of exchanging and reconciling payment items that result in a transfer of funds from one financial institution to another.

Collecting Financial Institution

The institution that receives a cheque on negotiation or deposit

Direct Clearer

A financial institution that settles cheques drawn on or payable by it through a settlement account at the Bank of

Canada and is a Participant at one or more Regional Settlement Points. Direct Clearers may be Clearing Agents in

that they deliver and receive items on behalf of nonparticipating Direct Clearers or Indirect Clearers.

Electronic Cheque Presentment (ECP)

The process whereby a cheque or eligible paper item is delivered for payment through transmission and reliance upon electronic information rather than the paper instrument itself.

Imaging

The process whereby a copy is taken of both sides of an item and stored in an electronic file as a digitized picture, identifiable through a unique trace/serial number.

Indirect Clearer

A financial institution that settles for cheques drawn on or payable by it through a settlement account with a Clearing Agent.

MICR line

The electronic codeline at the bottom of a cheque i.e. the Magnetic Ink Character Recognition line.

Paying Financial Institution

The institution to which the cheque is addressed, and which is directed to pay the amount of money therein mentioned.

Settlement

The process of adjusting financial positions of individual financial institutions to reflect the net amounts due to and from them as a result of the inter-financial institution exchange of payment items.

Truncation

The procedure in which the physical movement of paper items within an institution, between institutions, or between an institution and its customers, is curtailed, being replaced in whole or in part by electronic record of their content for further processing and transmission.

Automated payment

An automated payment, e.g. direct debit, standing order, direct credit, Internet and telephone payments, as well as direct debit, credits and standing orders are processed through an automated central infrastructure and can be referred to as BACS payments.

The Banking Codes

Voluntary codes which set standards of good practice for financial institution to follow when dealing with personal customers (The Banking Code) and business customers (The Business Banking Code) in the UK. They provide valuable protection for bank customers and cover such areas as current accounts, card product, lending, savings and payments, and specifically ensure transparency on the cheque clearing cycle.

British Cheque Cashers' Association (BCCA)

This body looks after the interests of the high street cheque encashment shops, which can exchange a cheque payable to you for cash, even if you have no bank account. There is a charge for this service.

CHAPS payment

An electronic, irrevocable same-day value payment (formerly known as telegraphic transfers).

Cheque crossed a/c payee or account payee

The vast majority of cheques are crossed 'A/C payee', which means that they must be paid into the account of the named beneficiary (i.e. the person to whom the cheque is made payable). This prevents cheques being cashed or paid into the accounts of third parties. The issue of crossed cheques "account payee" is covered in the Cheques Act of 1992, Section 1 which gives statutory force to the crossing when it is present.

It will help to prevent fraud from a cheque paid into an account can be withdrawn by the recipient.

Clearing for withdrawal

The point at which funds from a cheque paid into an account can be withdrawn by the recipient.

Clearing for value

The point at which funds from a cheque paid into an account earn interest or reduce interest charged on an overdraft. Although included in the account balance and shown on the statement or cash machines slip, the funds may not yet be available to withdraw.

Codeline data

Cheque number, sort code and account number printed along the bottom of a cheque and read electronically.

Collecting bank

The bank where the cheque is paid in.

Collection

If a bank receives a cheque drawn on another country, it has to send the cheque to the bank abroad to obtain payment of cleared funds. This process can be lengthy.

IBDE (Inter -Bank Data Exchange)

A secure electronic system used to transmit codeline and amount details of cheques from the collecting bank to the paying bank.

Negotiation

If a bank receives a cheque drawn on another country, it can pay the payee the money before it sends the cheque abroad and obtain payment for it. The payee would certainly receive funds quicker but they are paid with recourse so the money cannot be regarded as certain funds.

Payee

The beneficiary of the cheque who pays it into their own bank.

Payer

The person who writes and issues the cheque and whose name is on the bottom of the cheque.

Paying Bank

The bank where the person who issued a cheque holds their account.